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SUBJECT: Short March: Jaunt Through Jieyang -- Poor But

Refreshingly Honest

Ref: Guangzhou 11043 and previous

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¶1. (SBU) Summary: One of the oldest and most densely populated municipalities in the province, Jieyang in eastern Guangdong has not been nearly as successful as its neighbors in economic development. Local officials admitted that they might not be up to the challenge of overcoming numerous problems the municipality faces, including poor infrastructure, business environment weaknesses, and the lack of quality human capital. End Summary

"Two Thousand Years Old"

¶2. (U) In Jieyang, the next stop in Consulate Guangzhou's "short march" to the "Chao-Shan" region of eastern Guangdong (reftel), Vice Mayor Wu Zili extolled the long history of the city. It was founded in 214 B.C. as a garrison camp by Qin Shihuang, the first Emperor of China, and named after the Jieyang Ridge, one of the five ancient ridges in China. This makes the city much older than its much better known neighbors, Shantou to its southeast and Chaozhou to its northeast.

¶3. (SBU) Jieyang is one of the most populous municipalities in northeastern Guangdong, with a population of over 6 million crowded in an area of 5,240 square kilometers. The total GDP for 2004 of Jieyang was RMB 42.1 billion (US\$ 5.3 billion), and its chief exports are textiles, shoes, and plastic consumer products with primary export markets being Hong Kong, Macau, Japan and the United States, and Wu encouraged American enterprises to come look at the business environment in the city.

Why Jieyang?

¶4. (SBU) If American enterprises did come to Jieyang, they might be turned off by what they hear. In a meeting

presided over by Deputy Secretary General Lin Junsheng, Development and Reform Bureau (DRB) Deputy Director Chen Fanghao presented easily the most uninspiring and least informative presentation that Congenoffs had ever heard, throwing in every concept, slogan, and buzzword in the 11th five year plan playbook. When we asked what specific projects Jieyang had in mind to implement its five year plan, Economic and Trade Bureau Deputy Director Xu Ronghe responded for Chen, saying that even though Jieyang has a number of largely small and medium sized enterprises and a few ideas like creating some special experimental development areas to attract industry, prospects are not all that bright.

#### Orthodox Thinking Does Not Make Money

15. (SBU) "We have too many people, and too little land," said Xu, and Jieyang people would rather leave than to eke out a living in this environment. Moreover, previous attempts at economic development following orthodox economic planning have not been successful. The city tried development through heavy industry, but the large capital costs needed to create heavy industry from scratch was not economically viable due to the poor infrastructure in the region and the lack of natural resources, Chen said. Recent attempts focused on attracting foreign investment have been largely unsuccessful due to the higher labor, transport, and materials cost in the area. The city has largely failed to attract foreign investors, losing to other cities with lower costs, superior infrastructure, a more skilled workforce, or a combination of the three.

#### Trying Again To Build Economic Development

16. (SBU) To be sure, there are some specific projects in train, including a new regional airport that will serve Shantou, Jieyang and Chaozhou, a new highway through

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Jieyang, a new port facility that will be able to handle 5000-ton cargo ships, and improved power transmission and telecommunication facilities. The government is hoping to attract tourism, high technology, and investment from the large overseas community of more than three million people who are originally from Jieyang and who reside in Taiwan, Hong Kong, Macau, Southeast Asia, Europe, and Canada. Some Jieyang returnees have helped create some 1300 small and medium enterprises that are key contributors to the local economy.

#### Brain Drain

17. (SBU) Even so, the flow of people and talent seems to be mostly out. A large number of students are admitted to prestige universities domestically and abroad, particularly the United States, but less than a tenth of these college graduates return home to Jieyang. Most opt to stay overseas or work elsewhere in China, such as Guangzhou, Beijing, or Shanghai. The resulting drain of educated citizens from Jieyang has significantly and negatively impacted the municipality's economic development.

#### Innovation and IPR

18. (SBU) IPR Bureau Director Zhuang Jiling provided a briefing on Jieyang's IPR situation that rivaled DRB Deputy Director Chen's in its low degree of useful information, providing no information on the numbers or types of enforcement activities and not knowing much about the role of local business associations. To be fair, we have heard very few complaints from U.S. businesses about the IPR situation in Jieyang. Perhaps this is because of the relatively low level of economic activity in the place or perhaps that counterfeit products are manufactured locally but not distributed outside.

**Comment: What Are We Doing Wrong?**

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**¶9.** (SBU) Local officials were refreshingly forthcoming about their analysis of their situation. They said they were unable to attract industries since the cost of production in their city was higher than other cities in the area. They also admitted that past attempts at economic development largely failed at creating sustainable growth. Their solution, however, was to delineate the same unimaginative plans as other cities: improve infrastructure, attract high tech industries, and promote tourism without having more of a plan to achieve those goals other than to hope overseas Chinese with historical ties to Jieyang will fill the investment vacuum. But handicapped with its denser population, less skilled workforce, and unclear planning, Jieyang's prospects do not look particularly rosy.

**¶10.** (SBU) One would think that a city with a history of two thousand years might have some distinct cultural sights, and Jieyang officials chose to show us the city's old Confucian temple, which dates back to the Ming Dynasty. Architecturally and aesthetically interesting though it may be, the temple is not presented very well although its wooden Confucian figurines were protected during the Cultural Revolution, perhaps because Zhou Enlai was holed up in the temple for a week in the late 1920s amidst the turmoil increased between the Chinese Communist Party and the Kuomintang not to mention the local warlords (there is a prominent Zhou museum located on the temple grounds). This lack of vigor in historical and cultural preservation not to mention economic development contrasts sharply with that found in Chaozhou, the next stop in Consulate Guangzhou's "short march" to eastern Guangdong.

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